

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Chippewa County Health Department	County Chippewa
Audit Date 9/30/05	Opinion Date 11/16/05	Date Accountant Report Submitted to State: 3/31/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC			
Street Address 16978 S. Riley Avenue	City Kincheloe	State MI	ZIP 49788
Accountant Signature 		Date 3/31/06	

CHIPPEWA COUNTY HEALTH DEPARTMENT

BASIC FINANCIAL STATEMENTS

September 30, 2005

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, Michigan 49783

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Chippewa County Health Department (a component unit of Chippewa County, Michigan), as of and for the year ended September 30, 2005, which collectively comprise the Health Department's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Health Department's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Chippewa County Health Department, as of September 30, 2005, and the respective changes in financial position where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 16, 2005 on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparisons as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health Department's basic financial statements. The individual departmental statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

November 16, 2005

Management's Discussion and Analysis

This section of the Health Department's annual financial report presents our discussion and analysis of the Health Department's financial performance during the fiscal year ended September 30, 2005. Please read it in conjunction with the Health Department's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Health Department's FY 2005 grant funding remained relatively stable in nominal dollars, with most program funding decreasing when measured in constant dollars. It is anticipated that most FY 2006 grant funding will follow this pattern, though additional cuts are being made to Family Planning, Breast & Cervical Cancer Screening, Bioterrorism, and LPHO funding. County general appropriations to the Health Department decreased dramatically (\$51,400) in FY 2005, with an additional \$50,000 cut anticipated for fiscal 2006.

The Health Department did receive additional funding related to a colorectal planning grant in FY 2005 that has resulted in \$75,000 of additional funding for a Colorectal Cancer Early Detection Pilot program in FY 2006. A school based health center planning grant was also obtained in 2005. Through the related competitive process, a 3 year operating grant has been awarded for a school-based clinic in the Sault Area Schools for FY 2006 through 2008. Fiscal 2006 funding for this program is \$175,000. There is a high likelihood of continuation funding for this clinic beyond FY 2008.

The Home Health & Hospice division continues to be a significant source of support for Environmental Health and Personal & Family Health programs. Proposed cuts to Medicare funding for home health services in calendar 2006 may affect this support. Additionally, the Medicare system will be changing to a "Pay for Performance" payment system in the near future. While we do not anticipate this having the drastic affect that the change from full cost reimbursement to PPS had, there is a possibility that home health revenues could be negatively affected. Should that happen, the problems caused by the high percentage of program losses, particularly in the Environmental Health program, will be exacerbated.

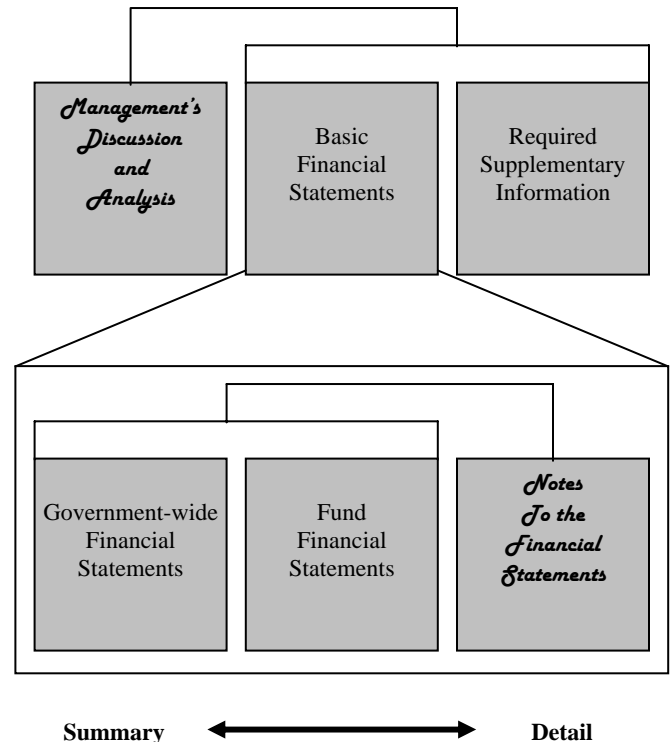
OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Health Department.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1
Required Components of the
Health Department's Annual Financial Report

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Health Department's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Health Department's operations, reporting the Health Department's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how government services like Health and Welfare were financed in the short-term as well as what remains for future spending.



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with individual statements that provide details about our individual divisions of the Health Department each of which are added together and presented in single columns in the basic financial statements. Figure A-2 summarizes the major features of the Health Department's financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2
Major Features of Health Department's Government-wide and Fund Financial Statements

	<u>Government-wide Statements</u>	<u>Fund Statements Governmental Funds</u>
Scope	Entire Health Department government (except fiduciary funds)	The activities of the Health Department that are not proprietary or fiduciary, such as Health and Welfare
Required financial	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and measurements focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Statements

The government-wide statements report information about the Health Department as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The two government-wide statements report the Health Department's net assets and how they have changed. Net assets – the difference between the Health Department's assets and liabilities – is one way to measure the Health Department's financial health, or position.

- Over time, increases or decreases in the Health Department's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Health Department you need to consider additional nonfinancial factors such as changes in the federal and state funding and the condition of the economy.

The government-wide financial statements of the Health Department are:

- Governmental activities – Most of the Health Department's basic services are included here, such as Public Health, Home Health, and Environmental Health programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the Health Department's most significant funds-not the Health Department as a whole. Funds are accounting devices that the Health Department uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Chippewa County Health Department Board establishes other funds to control and manage money for particular purposes.
- Governmental funds – All of the Health Department's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Department's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT AS A WHOLE

Net assets. The Health Department's combined assets increased by 10.9% between fiscal years 2004 and the year ended 2005 to \$2.8 million. (See Table A-1.)

Table A-1
Health Department's Net Assets

	Governmental Activities	
	2005	2004
Current and other assets	\$ 2,603,986	\$ 2,441,867
Capital assets	<u>230,327</u>	<u>114,874</u>
Total assets	2,834,313	2,556,741
Current liabilities	889,548	927,461
Long-term debt outstanding	<u>129,519</u>	<u>29,591</u>
Total liabilities	1,019,067	957,052
Net assets		
Invested in capital assets, net of related debt	47,998	54,733
Unrestricted	<u>1,767,248</u>	<u>1,544,956</u>
Total net assets	<u>\$ 1,815,246</u>	<u>\$ 1,599,689</u>

Net assets of the Health Department's governmental activities increased 13.4 percent or \$215,557. \$1.77 million of assets are not restricted as to the purposes for which they can be used. The remaining \$47,998 are invested in capital assets.

Changes in net assets. The Health Department's program revenues increased by 5.3 percent to \$5.3 million. (See Table A-2.) A majority of the Health Department's revenue (70.4%) comes from fees and collections.

The total cost of all primary activities increased 5.6 percent. The Health Department's expenses cover salaries, fringes, supplies, debt payments, and other expenses.

Table A-2 and the narrative that follows consider the operations of governmental-type activities.

Governmental Activities

Table A-2
Changes in Health Department's Net Assets

	Governmental Activities	
	2005	2004
Program Revenue		
Fees and Collections	\$ 3,727,714	\$ 3,614,286
Other Sources	163,803	68,366
State Sources	776,597	760,181
State Cost Sharing	274,914	279,554
Cost Settlements	169,414	142,107
Contracts and Reimbursements	<u>186,267</u>	<u>165,900</u>
Total Program Revenues	5,298,709	5,030,394
Program Expenses		
Health and Welfare	5,190,984	4,920,740
Interest Expense	<u>7,814</u>	<u>-</u>
Total Program Expenses	<u>5,198,798</u>	<u>4,920,740</u>
Net Program Revenues	<u>99,911</u>	<u>109,654</u>
General Revenue		
County Appropriations	<u>115,646</u>	<u>167,762</u>
Increase (decrease) in net assets	215,557	277,416
Beginning Net Assets	<u>1,599,689</u>	<u>1,322,273</u>
Ending Net Assets	<u>\$ 1,815,246</u>	<u>\$ 1,599,689</u>

FINANCIAL ANALYSIS OF THE HEALTH DEPARTMENT'S FUNDS

As the Health Department completed the year, its governmental funds reported a fund balance of \$1.77 million. The primary reasons for the increase in fund balance is highlighted in the financial analysis of the Health Department.

Governmental Fund Revenues and Expenditures

Operating revenues for the Health Department increased by 5.33% and operating expenditures for the Health Department's governmental funds increased 6.73%.

Table A-3
Changes in Health Department's Fund Balance

	Governmental General Operating Fund		Total Percentage Change 2004-2005
	2004	2005	
Revenues			
Fees and Collections	\$ 3,614,286	\$ 3,727,714	3.14%
Other Funding	68,366	163,803	139.60%
State Sources	760,181	776,597	2.16%
State-Cost Sharing	279,554	274,914	(1.66)%
Cost Settlement	142,107	169,414	19.22%
Contracts and Reimbursements	<u>165,900</u>	<u>186,267</u>	<u>12.28%</u>
Total Revenues	<u>5,030,394</u>	<u>5,298,709</u>	<u>5.33%</u>
Expenditures			
Health and Welfare	<u>5,004,919</u>	<u>5,341,878</u>	<u>6.73%</u>
Total Expenditures	<u>5,004,919</u>	<u>5,341,878</u>	<u>6.73%</u>
Excess of Revenues Over (Under) Expenditures	25,475	(43,169)	(269.46)%
Lease Proceeds	51,022	149,814	193.62%
County Appropriations	<u>167,762</u>	<u>115,646</u>	<u>(31.07)%</u>
Excess Revenues and Other Financial Sources Over Expenditures	<u>\$ 244,259</u>	<u>\$ 222,291</u>	<u>(8.99)%</u>

General Fund Budgetary Highlights

Revenue in the general fund exceeded budgeted amounts for fees, collections and reimbursements due to increased service volumes. Capital lease proceeds also increased the positive variance.

General Fund Budgetary Highlights (Continued)

Other budgeted line items varied in reasonable amounts from appropriated amounts. Over the course of the year the Health Board amended the General Fund budget to reflect adjustments in revenues and expenditures that developed in the year.

CAPITAL ASSETS

At the end of 2005, the Health Department had invested \$230 thousand in capital assets, including furniture, equipment, and vehicles. (See Table A-4.) This amount presents a net increase (including additions and deductions) of \$115,453 or 100.5 percent, over last year.

Table A-4
Health Department's Capital Assets
(*net of depreciation*)

	Governmental Activities		Total Percentage Change 2004-2005
	2004	2005	
Land	\$ -	\$ 2,190	100.00%
Equipment and furniture	101,629	228,137	124.48%
Vehicles	13,245	-	(100.00)%
Totals	<u>\$ 114,874</u>	<u>\$ 230,327</u>	<u>100.50%</u>

The principle change in capital assets consists mainly of hommed equipment lease purchases. More detailed information about the Health Department's capital assets is presented in Note F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In adopting the general fund budget for fiscal year 2006, the Health Department considered the budgetary problems within the State of Michigan and their likely effects on grant funding, revenue sharing to the County and Medicaid payment rates.

CONTACTING THE HEALTH DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, regulators and creditors with a general overview of the Health Department's finances and to demonstrate the Health Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chippewa County Health Department in Sault Ste. Marie, MI 49783.

Basic Financial Statements

**Statement of Net Assets
September 30, 2005**

	Governmental Activities
ASSETS:	
Cash & Cash Equivalents	
Unrestricted	\$ 1,297,537
Restricted	265,097
Accounts Receivable (net)	794,210
Due From Other Governments	210,095
Prepaid Expenses	37,047
Capital Assets (Net of Accumulated Depreciation)	230,327
	<hr/>
Total Assets	\$ 2,834,313
	<hr/>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	\$ 163,789
Accrued Payroll and Related Liabilities	155,583
Due to Other Governmental Units	35,606
Other Liabilities	19,965
Deferred Revenue	248,424
Compensated Absences	213,371
Capital Leases	52,810
	<hr/>
Total Current Liabilities	889,548
	<hr/>
Non-current Liabilities:	
Capital Leases	129,519
	<hr/>
Total Non-current Liabilities	129,519
	<hr/>
Total Liabilities	1,019,067
	<hr/>
NET ASSETS:	
Invested in Capital Assets, net of related debt	47,998
Unrestricted	1,767,248
	<hr/>
Total Net Assets	\$ 1,815,246
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Chippewa County Health Department

Statement of Activities For the Year Ended September 30, 2005

Program Expenses

Health & Welfare	\$ 5,190,984
Interest Expense	7,814
Total Program Expenses	<u>5,198,798</u>

Program Revenues

Fees & Collections	3,727,714
Other Funding	163,803
State Sources	776,597
LPHO Funding	274,914
Cost Settlements	169,414
Contracts & Reimbursements	<u>186,267</u>
Total Program Revenues	<u>5,298,709</u>
Net Program Revenues	99,911

General Revenue

County Appropriations	<u>115,646</u>
Change in Net Assets	215,557
Net Assets	
Beginning of Year	<u>1,599,689</u>
End of Year	<u><u>\$ 1,815,246</u></u>

Chippewa County Health Department

Balance Sheet September 30, 2005

ASSETS

Cash and Equivalents - Unrestricted	\$ 1,297,537
Cash and Equivalents - Restricted	265,097
Accounts Receivable	794,210
Due From Other Governmental Units	210,095
Prepaid Expenditures	37,047
	<hr/>
Total Assets	\$ 2,603,986

LIABILITIES AND FUND EQUITIES

Liabilities

Accounts Payable	\$ 163,789
Accrued Liabilities	155,583
Due to Other Governmental Units	35,606
Other Liabilities	19,965
Deferred Revenues	248,424
Compensated Absences	213,371
	<hr/>
Total Liabilities	836,738

Fund Equities

Fund Balance	
Unreserved	
Undesignated	1,715,173
Designated	52,075
	<hr/>
Total Fund Equities	1,767,248

Total Liabilities and Fund Equities	\$ 2,603,986
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Chippewa County Health Department

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Assets For the Year Ended September 30, 2005

Total Governmental Fund Balance	\$ 1,767,248
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	230,327
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Present value of minimum lease payments are not available to pay for current period expenditures and therefore are not reported in the funds. (See Note M)	<u>(182,329)</u>
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Net Assets of Governmental Activities	<u>\$ 1,815,246</u>
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Chippewa County Health Department**Statement of Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended September 30, 2005**

	General Operating Fund
Revenues	
Fees and Collections	\$ 3,727,714
Other Funding	163,803
State Sources	776,597
LPHO Funding	274,914
Cost Settlement	169,414
Contracts & Reimbursements	186,267
	<hr/>
Total Revenues	5,298,709
	<hr/>
Expenditures	
Health & Welfare	5,341,878
	<hr/>
Excess Revenue (Expenditures) before Other Financing Sources	(43,169)
Other Financing Sources:	
Lease Proceeds	149,814
County Appropriations	115,646
	<hr/>
Total Other Financing Sources	265,460
	<hr/>
Excess Revenues and Other Financing Sources Over Expenditures	222,291
Fund Balance - October 1, 2004	1,544,957
	<hr/>
Fund Balance - September 30, 2005	\$ 1,767,248
	<hr/>

Chippewa County Health Department

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2005

Net Change in Fund Balance – Total Governmental Funds	\$ 222,291
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Amounts reported for governmental activities in the statements are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay (\$165,996) exceeded depreciation (\$50,543) in the current period.	115,453
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Governmental funds report lease proceeds as other financing sources and principal payments as expenditures. This is the amount by which lease proceeds (\$149,814) exceeded principal payments (\$27,627) during fiscal 2005.	<u>(122,187)</u>
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Change in Net Assets of Governmental Activities	<u>\$ 215,557</u>
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Notes to Financial Statements

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Chippewa County Health Department, (the "Health Department") conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Health Department's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Health Department's activities, including infrastructure.
- A change in the fund financial statements to focus on the major funds.

The Chippewa County Health Department is a Blended Component Unit of the County of Chippewa, Michigan, the purpose of which is to provide limited health services to the residents of Chippewa County. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise the fund's assets, liabilities, fund equity, revenues, and expenditures. The County Board appoints five members to the Health Board of which two are Commissioners and three members are from the public.

2. Basis of Presentation – Government-Wide Financial Statements – The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange are recognized in accordance with Governmental Accounting Standards Board Statement 33.

The statement of net assets and the statement of activities display information about the Health Department as a whole. The statements include all funds of the Department.

Capital assets are reported in the government-wide statements at historical cost. Capital assets include land, vehicles, machinery and equipment, infrastructure and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital assets that are depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

The government-wide focus is more on the sustainability of the Health Department as an entity and the change in the Health Department's net assets resulting from the current year's activities.

3. Basic Financial Statements – Fund Financial Statements – The financial transactions of the Health Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Health Department:

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Health Department.

The General fund is the general operating fund of the Health Department. It is used to account for all financial resources except those required to be accounted for in another fund.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The Health Department selected the General Fund as a Major Fund.

4. Measurement Focus and Basis of Accounting – Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**Capital Assets**

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight line basis over the estimated useful lives as follows:

Vehicles	3 years
Furniture and equipment	5 years

Compensated Absences

The Health Department accrues vested or accumulated sick and vacation leave when earned by the employee.

Full Accrual Accounting Method

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Health Department reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Health Department before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Cash and Investments

Investments are reported at fair value, based on quoted market prices. All deposits are carried at cost. Cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three month or less.

Prepaid Items

Payments made to vendors for insurance and rent that will benefit future periods are recorded as prepaid items. All other payments made to vendors for services that will benefit future periods are recorded as expenditures. These payments do not have a material affect on the financial statements.

Annual Budget

The Health Department adopts an annual budget each year for expenditures applicable to the General Fund. The operating budget includes proposed expenditures and the means of financing them is stated on a basis consistent with U.S. generally accepted accounting principles (GAAP). Budgets lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH

The balance sheet accounts and types of cash items are presented below:

Cash and equivalents - unrestricted	\$ 1,297,537	Petty cash	\$ 350
- restricted	265,097	Demand deposits -	
		savings and checking	<u>1,562,284</u>
TOTALS	<u>\$ 1,562,634</u>		<u>\$ 1,562,634</u>

The bank balance of the Health Department's deposits is \$265,591, of which \$100,000, 37.65% is covered by federal depository insurance.

With respect to the demand deposits, \$1,451,010 of the \$1,562,284 listed above is held with the County Treasurer and pooled with the cash of several other County funds, and is insured by the Federal Deposit Insurance Corporation (FDIC). Cash has been restricted for the purpose of future continuing public health education, capital outlays, and specific program long-term support. These deposits are in financial institutions located in Sault Ste. Marie, Michigan in varying amounts. Interest is recorded in the month in which it is earned.

Interest rate risk. The Health Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Health Department turns over all monies not needed for immediate payables over to Chippewa County, which invests according to their investment policy.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Health Department has no investment policy that would further limit its investment choices.

Custodial credit risk. Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the Health Department will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the Health Department's \$1,562,284 investments, \$1,415,010 are not in the name of the Health Department, but in the name of Chippewa County.

Custodial deposit credit risk. Custodial deposit credit risk is the risk that in the event of a bank failure, the Health Department's deposits may not be returned. State law does not require and the Health Department does not have a policy for deposit custodial credit risk. As of year end, \$165,591 of the Health Department's bank balance of \$265,591 was exposed to credit risk because it was uninsured and uncollateralized.

NOTE C - INVESTMENTS:

Statutory Authority

Michigan law (Public Act 20 of 1943, as amended) authorizes the Chippewa County Health Department to deposit and invest in one or more of the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- (c) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in a.
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this State or any of its political subdivisions that at this time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- (h) Obligations described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (EX Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Board of Directors is authorized to designate depositories for CCHD funds, and funds are invested in accordance with State of Michigan statutory authority.

NOTE D - EMPLOYEE RETIREMENT:

Plan Description - Chippewa County Health Department of Chippewa County, Michigan participates in two statewide government agent multiple-employer public employee pension plans, which cover substantially all employees, including employees of the Chippewa County Health Department. Non-union employees are covered under a B-3 plan and union employees are covered under a B-2 plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 447 North Canal Street, Lansing, Michigan.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Health Department’s competitive bargaining units and personnel policy, which require employees to contribute based on gross wages by the Health Department only.

NOTE E - DEFINED BENEFIT PENSION PLAN:

Annual Pension Costs – For the year ended 2005, the Health Department’s annual pension cost of \$107,994 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as of December 31, 2002, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2004 is as follows:

	2002	2003	2004
Actuarial Value of Assets	\$ 5,489,584	\$ 4,135,339	\$ 4,379,448
Actuarial Accrued Liability	5,135,109	3,834,607	4,140,722
Unfunded (Over Funded) AAL	(354,475)	(300,732)	(238,726)
Funded Ratio	107%	108%	106%
Covered Payroll	2,008,592	1,148,953	1,193,666
UAAL as a Percentage of Covered Payroll	0%	0%	0%

Year Ended Dec 31	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 78,711	100%	0%
2003	84,715	100%	0%
2004	111,176	100%	0%

NOTE F - CAPITAL ASSETS:

A summary of capital assets is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments /Decreases</u>	<u>Ending Balance</u>
Assets not being depreciated:				
Land	\$ -	\$ 2,190	\$ -	\$ 2,190
Assets being depreciated:				
Furniture & equipment	316,999	163,806	(73,262)	407,543
Vehicles	<u>98,923</u>	<u>-</u>	<u>-</u>	<u>98,923</u>
Subtotal	<u>415,922</u>	<u>163,806</u>	<u>(73,262)</u>	<u>506,466</u>
Accumulated depreciation:				
Furniture & equipment	215,370	37,298	(73,262)	179,406
Vehicles	<u>85,678</u>	<u>13,245</u>	<u>-</u>	<u>98,923</u>
Subtotal	<u>301,048</u>	<u>50,543</u>	<u>(73,262)</u>	<u>278,329</u>
Net Capital Assets Being Depreciated	<u>\$ 114,874</u>	<u>\$ 115,453</u>	<u>\$ -</u>	<u>\$ 230,327</u>
Depreciation Expense:				
Health and Welfare			<u>\$ 50,543</u>	

NOTE G - CONTINGENT LIABILITIES:

The Chippewa County Health Department has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the Health Department. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements included herein or on the overall financial position of the Health Department at September 30, 2005.

NOTE H - FUND BALANCE DESIGNATED:

The General Fund balance is designated by \$20,000 to reflect monies designated for Hospice, by \$27,444 to reflect funds raised for maternal and infant support and breast cancer support, \$4,281 designated for continuing Public Health Education, and \$350 designated petty cash.

NOTE I - RELATED PARTY TRANSACTION:

The Health Department leases its building space from the County Building Authority. The rent is currently \$13,300 per month. The County appropriates funds to the department on an annual basis.

NOTE J - ACCOUNTS RECEIVABLE:

Accounts receivable of the Health Department by program as of September 30, 2005, is summarized as follows:

	Gross Accounts Receivable <u>09/30/05</u>	Contractual Allowances <u> </u>	Credit Allowance <u> </u>	Net Accounts Receivable <u>09/30/05</u>
Environmental Health	\$ 7,616	\$ -	\$ -	\$ 7,616
Personal Health	50,641	-	(1,194)	49,447
Home Health	<u>778,579</u>	<u>(14,800)</u>	<u>(26,632)</u>	<u>737,147</u>
TOTALS	<u>\$ 836,836</u>	<u>\$ (14,800)</u>	<u>\$ (27,826)</u>	<u>\$ 794,210</u>

NOTE K - DUE FROM GOVERNMENTAL AGENCIES:

Various government agencies reimburse the Health Department for services rendered or based on expenditures for public health programs.

At September 30, 2005, due from governmental agencies consists of the following:

Due from Schools	\$ 7,195
Due from State of Michigan	41,918
Due from Other Agencies	28,836
Due from Chippewa County	25,000
Due from Cost Settlement	105,833
Other	<u>1,313</u>
TOTAL	<u>\$ 210,095</u>

NOTE L - COMPENSATED ABSENCES:

The Health Department has a contingent liability for accumulated vested vacation benefits and accumulated sick leave benefits of its employees. As of September 30, 2005 the accumulated vacation and sick leave benefits were as follows:

<u>Vacation</u>	<u>Sick Leave</u>	<u>Compensation Time</u>	<u>Total</u>
\$ <u>74,718</u>	\$ <u>135,492</u>	\$ <u>3,161</u>	\$ <u>213,371</u>

Vacation and Sick Leave Policy – Vacation days earned depend on date of hire. Hired prior to January 1, 2000, you can earn a maximum of 27 days per year. Hired after January 1, 2000, the maximum cannot exceed 20 days.

NOTE L - COMPENSATED ABSENCES: (Continued)

Sick leave cannot exceed 29 days (232 hours). Employees can carryover up to 168 hours at the beginning of each calendar year, at which time they are given an additional annual allotment of 64 hours (8 days). They are paid at the end of the calendar year for any unused hours in excess of 168. This changes the calculation of the 50% payout amount for 5-9 years employment.

NOTE M - LEASE COMMITMENTS:

The Chippewa County Health Department currently leases space from the County Building Authority under a signed operating lease arrangement. The building rent is currently \$13,300 per month.

The Department also rents space under a cancelable lease from the Rudyard Cooperative for \$350 a month in Kinross.

The Department also rents equipment from Hommed, LLC for \$3,750 a month. Some portions of the lease are reimbursed.

The Department entered into several capital lease obligations as listed below:

	<u>CMHC</u>	<u>Phone Equipment</u>	<u>Copier Equipment</u>	<u>Hommed Equipment</u>
2006	\$ 13,941	\$ 12,101	\$ 1,757	\$ 35,640
2007	-	12,101	-	35,640
2008	-	7,059	-	35,640
2009	-	-	-	35,640
2010	-	-	-	20,790
Total minimum lease payment	13,941	31,261	1,757	163,350
Less amount representing interest	<u>(354)</u>	<u>(2,775)</u>	<u>(70)</u>	<u>(24,781)</u>
Present value of minimum and lease payments	<u>\$ 13,587</u>	<u>\$ 28,486</u>	<u>\$ 1,687</u>	<u>\$ 138,569</u>
% Interest	6%	7.09%	12.25%	7.27%
Payment	\$ 1,549	\$ 1,008	\$ 251	\$ 2,970

NOTE N - ADVANCES PAYABLE:

The State of Michigan has advanced monies to assist the Health Department's cash flow. This amount is payable on demand.

At September 30, 2005, advances payable consists of the following:

Radon-Non MDPH	\$ 4,000
Malph-Non MDPH	<u>548</u>
TOTAL	<u>\$ 4,548</u>

NOTE O - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The federal expenditures of the Department are included with the schedule of expenditures of federal awards of Chippewa County, Michigan.

NOTE P - POST-EMPLOYMENT BENEFITS:

The Department provides post retirement health care insurance to all retired employees of the government pursuant to the terms of personnel policy by a group insurance plan.

The Department funds 100% of the premiums of the policies on a pay-as-you-go basis. During 2005, the Health Department paid hospitalization premiums for qualified individuals of \$115,725. Actuarial valuations of estimated future cost were not available. At September 30, 2005, fifteen retirees were receiving benefits.

Required Supplementary Information

Chippewa County Health Department**Budgetary Comparison Schedule
General Fund
For the Year Ended September 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>(Negative)</u>
Budgetary fund balance, October 1, 2004	\$ 1,544,957	\$ 1,544,957	\$ 1,544,957	\$ -
Resources (inflows):				
Fees and Collections	3,626,400	3,779,663	3,727,714	(51,949)
Cost Settlements	121,000	151,370	169,414	18,044
Other Funding	246,037	423,575	163,803	(259,772)
State Funding	517,043	609,365	776,597	167,232
State - Cost Sharing	280,204	275,544	274,914	(630)
County Appropriation	207,993	123,647	115,646	(8,001)
Contracts and Reimbursements	46,671	77,576	186,267	108,691
Lease Proceeds	-	-	149,814	149,814
Amounts available for appropriation	5,045,348	5,440,740	5,564,169	123,429
Charges to appropriation (outflows):				
Salaries and Wages	2,515,814	2,471,217	2,378,222	92,995
Fringes	1,040,154	1,027,723	994,426	33,297
Supplies and Materials	349,959	560,251	540,572	19,679
Training	8,577	11,564	12,597	(1,033)
Consultant Services	54,850	50,938	44,303	6,635
Contractual	462,328	549,344	525,044	24,300
Communications	62,495	62,311	61,508	803
Travel	125,215	159,772	149,796	9,976
Space	194,760	214,614	209,041	5,573
ADP System	38,564	36,560	33,648	2,912
Miscellaneous	192,632	250,191	392,721	(142,530)
Total charges to appropriations	5,045,348	5,394,485	5,341,878	52,607
Budgetary fund balance, September 30, 2005	\$ 1,544,957	\$ 1,591,212	\$ 1,767,248	\$ 176,036

Other Supplementary Information

Chippewa County Health Department

General Fund Statement of Revenues, By Program Budget and Actual For the Year Ended September 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Administration	\$ 37,348	\$ 187,963	\$ 150,615 *
Shelter Management	2,370	2,498	128
Radon Grant	3,098	3,098	-
Community Health & Safety	9,016	10,013	997
Food	128,032	128,805	773
Waste Management	139,657	134,727	(4,930)
Water Quality	111,667	109,354	(2,313)
Clean Beaches	11,000	11,393	393
Surface Water Inland Lakes	1,043	(1,074)	(2,117)
Ordinance	150	150	-
Immunization	351,866	365,052	13,186
STD	28,688	29,887	1,199
Other Comm Disease	96,136	93,858	(2,278)
AIDS	1,927	1,969	42
Bioterrorism	178,919	178,922	3
BCCP Combined	57,005	56,164	(841)
FP/BCCP Joint Coordination	1,850	1,850	-
Colorectal Screening Grant	35,500	35,500	-
Colorectal Planning Grant	10,000	10,000	-
CSHCS	36,713	34,507	(2,206)
Family Planning	165,690	173,042	7,352
Healthy Kids	11,432	16,880	5,448
Well Women	16,135	16,131	(4)
Lamaze	7,172	2,699	(4,473)
M&CH, MSSP, & ISSP	334,898	339,239	4,341
Hearing	17,148	18,058	910
Vision	16,733	16,870	137
WIC & WIC Lactation	174,382	174,581	199
EPSTD Clinic	13,200	12,301	(899)
Tobacco Reduction	25,909	26,687	778
Car Seat Grant	1,900	1,860	(40)
SIG Grant	30,950	30,950	-
Substance Abuse Treatment	27,000	26,967	(33)
School/Nurse	49,850	53,194	3,344
School Based Clinic	60,000	60,000	-
Community Health Assessment	1,400	1,400	-
General Nursing	120	120	-
Other Misc PH Programs	40	40	-
Private Duty Programs	416,937	411,668	(5,269)
Home Health	2,441,559	2,430,387	(11,172)
Hospice	386,300	356,459	(29,841)
TOTAL REVENUES	\$ 5,440,740	\$ 5,564,169	\$ 123,429

* \$149,814 of the variance reflects the value of a capitalized lease entered into for equipment.

Chippewa County Health Department

General Fund Statement of Expenditures, By Program Budget and Actual For the Year Ended September 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Administration	\$ 37,704	\$ 250,106	\$ (212,402) *
General E.H. Services	12	9	3
Shelter Management	5,745	5,234	511
Radon Grant	5,915	6,125	(210)
Community Health & Safety	15,373	13,937	1,436
Food	171,287	156,744	14,543
Waste Management	220,147	209,695	10,452
Water Quality	167,242	158,699	8,543
Clean Beaches	15,805	13,059	2,746
Surface Water Inland Lakes	1,605	1,456	149
Tattoo Ordinance	660	479	181
E.H. Administration	810	776	34
Immunization	366,523	348,531	17,992
STD	32,032	29,886	2,146
Other Comm Disease	101,304	93,828	7,476
AIDS	4,684	4,162	522
Bioterrorism	178,743	178,929	(186)
Senior Screening	-	2	(2)
BCCP Combined	67,858	63,320	4,538
FP/BCCP Joint Coordination	2,251	2,105	146
Colorectal Screening	44,001	43,050	951
Colorectal Planning	12,089	12,061	28
Colorectal Implementation	-	56	(56)
CSHCS	38,226	35,158	3,068
Part H	-	2	(2)
Family Planning	173,674	160,870	12,804
Healthy Kids	11,375	11,721	(346)
Well Women	12,652	11,734	918
MI Child	-	3	(3)
Lamaze	7,918	7,351	567
M&CH, MSSP, & ISSP	368,816	340,149	28,667
Hearing	20,712	19,102	1,610
Vision	21,577	20,466	1,111
WIC & WIC Lactation	239,113	230,295	8,818
EPSTD Clinic	10,878	9,305	1,573
EPSTD Outreach	-	4,641	(4,641)
Tobacco Reduction	27,205	26,687	518
Car Seat Grant	2,049	2,039	10
SIG Grant	31,276	30,997	279
Substance Prevention	30,737	30,668	69
School Nurse	54,599	53,046	1,553
School Based Clinic	70,470	68,920	1,550
Community Health Assessment	21,134	20,842	292
Worksite Wellness	-	3	(3)
General Nursing	582	476	106
Other Misc PH Programs	18	51	(33)
Private Duty Programs	429,010	405,939	23,071
Home Health	2,070,072	2,008,445	61,627
Hospice	300,602	250,719	49,883
TOTAL EXPENDITURES	\$ 5,394,485	\$ 5,341,878	\$ 52,607

* \$149,814 of the variance reflects the value of a capitalized lease entered into for equipment.

Chippewa County Health Department

Administrative Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Lease Proceeds	\$ -	\$ 149,814	\$ 149,814
Fees and collections	-	758	758
Other Funding	-	888	888
Local funds	22,493	36,502	14,009
Total Revenues	22,493	187,962	164,581
EXPENDITURES:			
Salaries and wages	361,714	329,248	32,466
Fringe benefits	249,582	235,807	13,775
Supplies and materials	52,456	56,793	(4,337)
Training	1,800	368	1,432
Consultant services	15,500	13,836	1,664
Contractual	77,954	82,166	(4,212)
Communications	17,420	17,428	(8)
Travel	(20,229)	(21,494)	1,265
Space	88,250	86,447	1,803
ADP system	13,776	15,350	(1,574)
Other	85,579	76,081	9,498
Overhead	(920,609)	(812,517)	(108,092)
Debt service	-	18,588	(18,588)
Capital Outlay	-	152,004	(152,004)
Total Expenditures	23,193	250,105	(226,912)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (700)	\$ (62,143)	\$ (61,443)

Chippewa County Health Department

Environmental Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 183,730	\$ 172,682	\$ (11,048)
Other funding	-	14,978	14,978
Local funds	46,703	46,730	27
State sources	55,280	27,398	(27,882)
State - cost sharing	142,466	137,176	(5,290)
Total Revenues	428,179	398,964	(29,215)
EXPENDITURES:			
Salaries and wages	305,818	284,563	21,255
Fringe benefits	124,641	111,756	12,885
Supplies and materials	3,691	4,883	(1,192)
Training	678	1,005	(327)
Contractual	5,800	3,855	1,945
Communications	4,600	4,544	56
Travel	23,577	24,572	(995)
Space	14,733	14,221	512
ADP system	180	-	180
Other	3,505	2,117	1,388
Overhead	137,931	114,695	23,236
Total Expenditures	625,154	566,211	58,943
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (196,975)	\$ (167,247)	\$ 29,728

Chippewa County Health Department

Home Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 2,967,325	\$ 3,161,916	\$ 194,591
Local funds	32,377	41,413	9,036
Cost settlements	-	(4,815)	(4,815)
Total Revenues	2,999,702	3,198,514	198,812
EXPENDITURES:			
Health and Welfare:			
Salaries and wages	1,055,255	1,040,287	14,968
Fringe benefits	373,239	374,133	(894)
Supplies and materials	168,458	180,620	(12,162)
Training	5,050	7,487	(2,437)
Consultant services	26,300	21,552	4,748
Contractual	318,000	369,506	(51,506)
Communications	24,500	24,753	(253)
Travel	117,320	118,689	(1,369)
Space	31,207	30,460	747
ADP system	19,968	13,203	6,765
Other	51,610	75,081	(23,471)
Overhead	457,730	409,333	48,397
Total Expenditures	2,648,637	2,665,104	(16,467)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ 351,065	\$ 533,410	\$ 182,345

Chippewa County Health Department

Public Health Programs Statement of Revenues and Expenditures Budget and Actual For the Year Ended September 30, 2005

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Fees and collections	\$ 422,950	\$ 388,660	\$ (34,290)
Local funds	182,250	177,268	(4,982)
State sources	564,079	752,898	188,819
State - cost sharing	137,738	137,738	-
Cost settlements	172,875	174,229	1,354
Other grants & projects	86,905	147,936	61,031
Total Revenues	1,566,797	1,778,729	211,932
EXPENDITURES:			
Salaries and wages	736,438	724,124	12,314
Fringe benefits	277,663	272,730	4,933
Supplies and materials	112,461	298,276	(185,815)
Training	1,049	3,737	(2,688)
Consultant services	12,950	8,915	4,035
Contractual	61,674	69,517	(7,843)
Communications	15,975	14,783	1,192
Travel	31,573	28,029	3,544
Space	80,546	77,914	2,632
ADP Systems	4,640	5,095	(455)
Other	50,274	54,857	(4,583)
Capital Outlay	10,000	13,992	(3,992)
Overhead	324,944	288,489	36,455
Total Expenditures	1,720,187	1,860,458	(140,271)
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ (153,390)	\$ (81,729)	\$ 71,661

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, each major fund, the aggregate remaining fund information of the Chippewa County Health Department (a component unit of Chippewa County), as of and for the year ended September 30, 2005, which collectively comprise the Chippewa County Health Department's basic financial statements and have issued our report thereon, dated November 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Chippewa County Health Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Chippewa County Health Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to Management of the Chippewa County Health Department in a separate letter dated November 16, 2005.

Conclusion

This report is intended solely for the information and use of the Board of Health and management, and federal awarding agencies, pass-through entities and others within the organization. It is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 16, 2005



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT TO MANAGEMENT

Members of the Board of Health
Chippewa County Health Department
Sault Ste. Marie, MI 49783

We have audited the component unit financial statements of the Chippewa County Health Department for the year ended September 30, 2005, and have issued our reports thereon dated November 16, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts including fraud and defalcations may exist and not be detected by us.

As part of our audit, we considered the internal control of the Chippewa County Health Department. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Chippewa County Health Department's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Chippewa County Health Department are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2005. We noted no transactions entered into by the Chippewa County Health Department during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing these historical data provided by management and using this data to compute the estimates.

The allowance for uncollectible accounts receivable is an estimate. It was calculated based on historical collection results. Cost report settlements are also estimates based on preliminary cost report calculations. Lives of fixed assets are estimated by management.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Chippewa County Health Department's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, whether recorded or unrecorded by Chippewa County Health Department, either individually or in the aggregate, indicate matters that could have a significant effect on the Chippewa County Health Department's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Chippewa County Health Department or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Chippewa County Health Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

The following is a summary of our observations with suggestions for improvements and other informational items we believe should be brought to your attention.

Payroll

It was noted during the testing of payroll that the Employment Eligibility Verification Form I-9 for several employees was incomplete or completed improperly. We recommend that the form be completed in its entirety according to the instructions outlined on the form.

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is implemented in three phases, with the Health Department required to implement the Statement for the year ended September 30, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the Health Department will be required to fund these benefits. Beginning in fiscal year 2009, the Health Department will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The Board of Health as well as Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This information is intended solely for the information and use of management, the Board of Health, state awarding agencies, pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

November 16, 2005